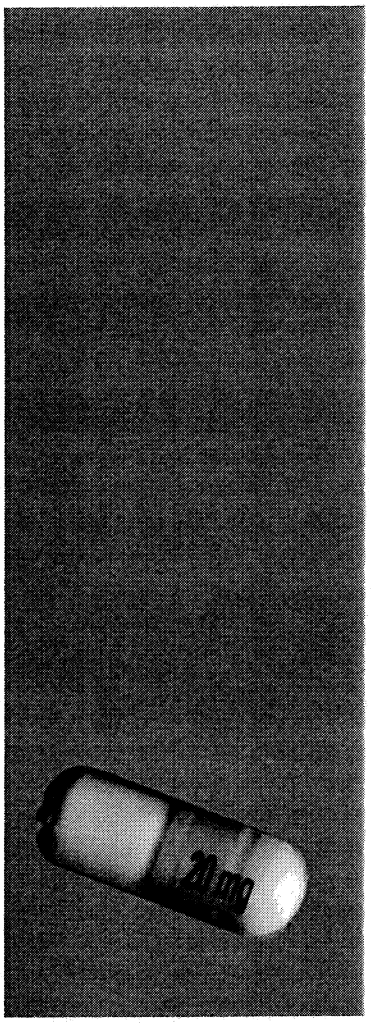
Prescription Pads

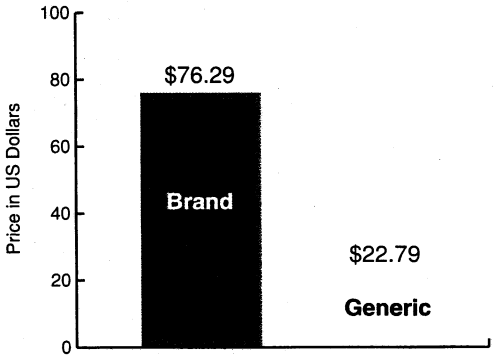


OVERVIEW:
States have a variety of regulations on the prescription pads doctors use to authorize the dispensing of prescription medicines for their patients. Research and experience has shown that the format of the pad itself can affect the prescribing habits of physicians. Because physicians are the targets of aggressive marketing from brand companies, some providers routinely write prescriptions for a brand drug regardless of the availability of a more affordable generic equivalent.

Because there is no therapeutic difference between a generic and its brand counterpart, 33 states require a format for the prescription pad that requires a physician to make a conscious determination before mandating a brand name product.[1] One example of a format that allows for consumer choice is to require that providers handwrite "no substitution" or "dispense as written" on the prescription pad if they affirmatively choose the brand name product over a generic equivalent.

Research has shown that physicians are more likely to *mandate* the use of brand drugs if prescription pads offer a check-off box or a signature line that designates "no substitution" compared to a prescription pad that requires the physician to undertake an affirmative step, such as handwriting the directive. In those cases, pharmacists are prevented from giving consumers the choice of the more affordable generic drug unless the physician gives permission by phone or by writing a new prescription.

GPHA POSITION:
GPhA encourages the use of prescription pads that require a physician to make a conscious choice before prohibiting generic substitution – writing explicit instructions as opposed to simply checking a box or providing a signature. This policy will still allow the physician the discretion while enhancing the ability of the consumer to choose a more affordable generic equivalent. Because the average price of a prescription for a brand product is about $76.29 versus $22.79[2] for the generic product, this simple but effective technique to allow for substitution gives consumers and government-funded programs the ability to achieve savings on prescription drugs.

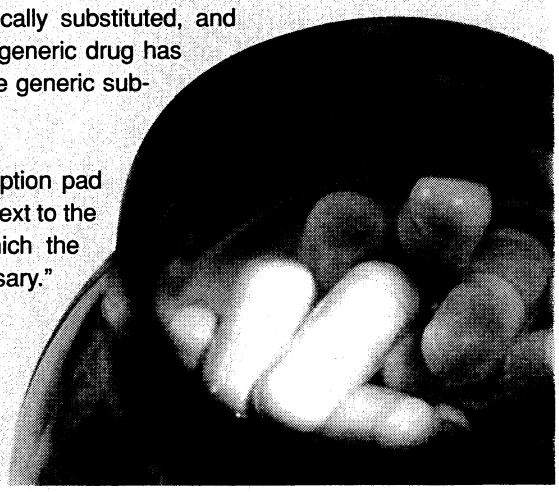


Average Cost per Prescription
Brand vs. Generic

Source: IMS Health

CASE STUDY:
In 2003, the Governor of Nevada signed into law a bill that removed the "do not substitute" check box, which had previously been on the pad. The law also requires the physician to explicitly indicate if he/she did not want a generic automatically substituted, and requires the pharmacist to tell the consumer that a generic drug has been substituted. This policy is expected to increase generic substitution by as much as 3%.

The state of Texas switched from a two-line prescription pad allowing the physician to simply provide a signature next to the line stating "brand only" to a one-line pad on which the provider must write out "brand medically necessary." Projected savings were estimated at $223 million.[3]



1. 2003 Survey of Pharmacy Law
2. IMS Health
3. May 2001, Center for Pharmacoeconomic Studies, University of Texas at Austin

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Generic Pharmaceutical Association

Making American Healthcare More Affordable

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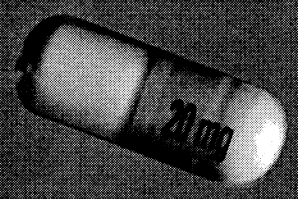
Generic Pharmaceuticals: *Getting More and Spending Less*

Tools Employed by Purchasers to Increase Use of Generics

1. Multi-tiered co-payment benefit designs
2. Generic substitution practices
3. Prescription pad changes
4. Medicaid reimbursement practices (such as MAC)
5. Generics education



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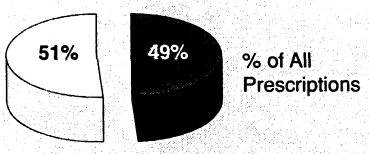
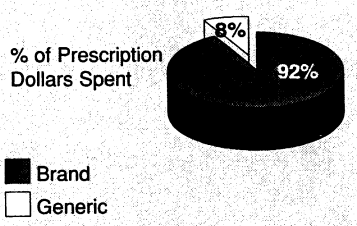
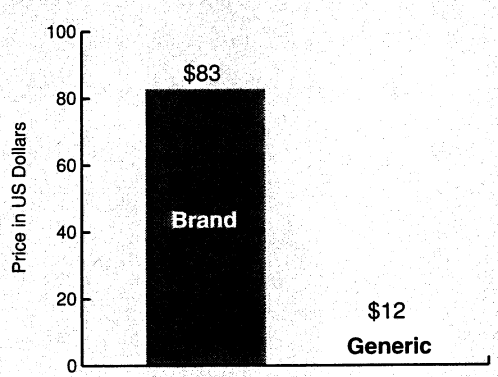
Consumers Spend Less on Generic Drugs and Get More Healthcare for Their Dollars

More than half of all prescriptions are filled with generic drugs, yet generics represent less than 8% of the nation's total pharmaceutical bill. In 2003, the total U.S. prescription drug expenditure was $216 billion. While more than half of the prescriptions were filled with generics, generic medicines cost only $16 billion of the total expenditure.





The result is that generics can provide patients, families and seniors with the medicine they need at a price they can afford. In 1998, the Congressional Budget Office published an analysis of the impact of generic medicines on consumers since federal law changed in 1984 to allow greater access to generic drugs. Only 10 years later, the Congressional Budget Office concluded "in 1994, purchasers saved a total of $8 to $10 billion on prescriptions at retail pharmacies by substituting generic drugs for their brand name counterparts." Savings have escalated as generic market penetration has increased.



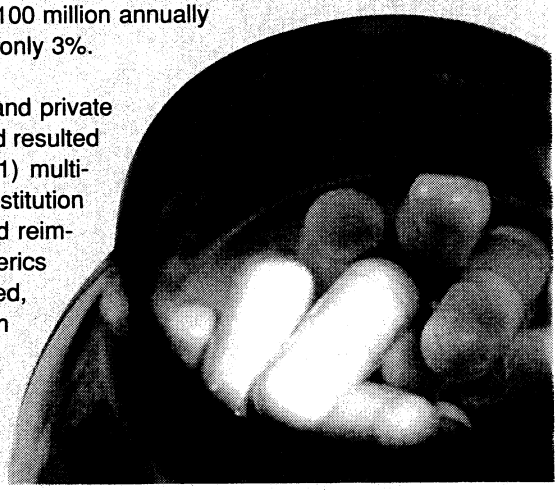
Cost per Prescription: ZANTAC
Brand vs. Generic

The example of Zantac, a widely used ulcer treatment, illustrates the potential for savings. In 1997, the patents for Zantac expired. Within weeks, generic competitors entered the market and gave consumers the choice between an $83 per prescription cost for the brand or approximately $12 for the generic. Within months, more than 80% of prescriptions previously filled by the brand name drug were being filled with more affordable generic versions of the drug.

And the potential for savings will multiply over the next decade. Fifteen blockbuster drugs, with annual sales ranging from about $500 million to more than $6.6 billion each, are scheduled to lose patent or market exclusivity in 2004 and 2005.[1] New reforms included in the Medicare legislation enacted in 2003 should help ensure timely generic competition and consumer access to affordable pharmaceuticals.

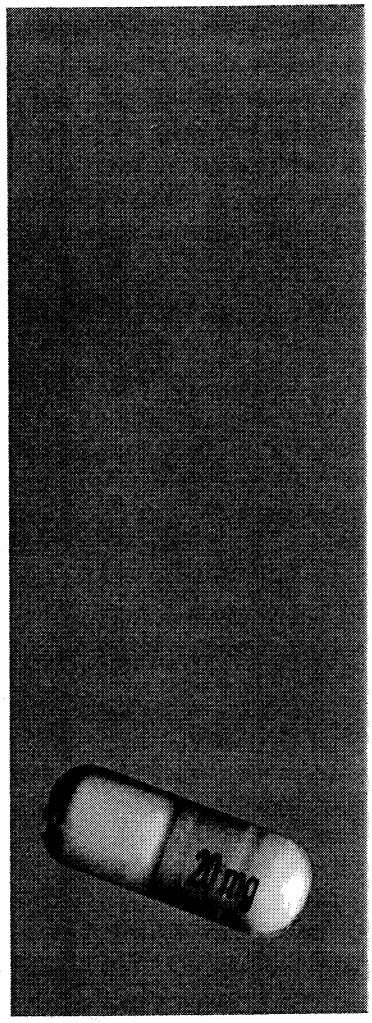
The combination of timely access to generics and policies that encourage greater generic utilization results in savings for American consumers. Health care purchasers, from states to insurers to consumers, have found that increased generic use brings significant savings. In fact, an increase of only 1% in generic use is estimated to reduce annual drug spending by .4 to .6%[2] – so for example, a plan that spends $100 million annually can save $1.5 million by increasing generics use by only 3%.

There is a wide range of tools employed by public and private purchasers that have increased generic drug use and resulted in significant savings. These include the use of: (1) multi-tiered co-payment benefit designs; (2) generic substitution practices; (3) prescription pad changes; (4) Medicaid reimbursement practices, such as MAC; and (5) generics education. These tools, if appropriately implemented, can be indispensable in managing high prescription drug costs and producing needed savings.



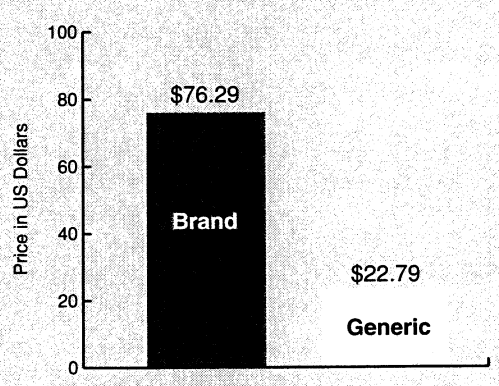
1. MedAd News 2002
2. Medco Drug Trend Report 2002

Generic Drug Substitution



OVERVIEW:

Prescription drugs are one of the most regulated products in the world. The U.S. Food and Drug Administration uses one set of criteria for drug approval – whether the product is brand or generic. Generic drugs must therefore have the same active ingredients, the same efficacy, the same safety requirements, the same manufacturing standards, and the same dosage levels as their brand name counterparts. Simply put, generics are required by federal law to provide the same medicine and the same therapeutic benefits as brands.



Average Cost per Prescription
Brand vs. Generic

According to the FDA, there is no more clinical difference between a generic and its brand name counterpart than there is between two batches of the same brand. In short, generic and brand name drugs are essentially the same except for the cost. Nationally, brand drugs cost an average of $76.29 per prescription per month while generics sell for an average of $22.79 – about 70% less.[1]

An example of the significant savings can be found with the well-known anti-depressant Prozac. In 2002, multiple manufacturers launched generic versions of Prozac. A recent price check for the generic or brand name versions of Prozac at a major discount pharmacy showed that consumers can save about 95% by buying the generic version at a cost of $.15 a pill compared to $3.02 a pill for the brand.

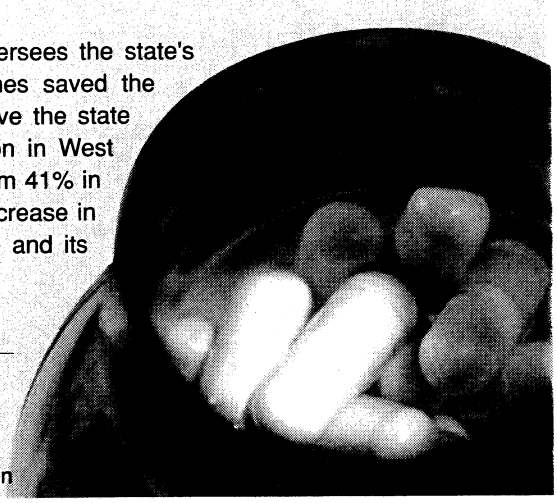
As a result of the significant cost savings derived from using an FDA-approved equivalent, many states have required the substitution of a more affordable generic product for a brand product whenever possible. In fact, more than a dozen states require substitution of generic drugs when they are available. At least 30 more states allow generic substitution unless the prescriber expressly requests a brand drug.[2]

GPHA POSITION:

GPhA supports strong substitution laws. Substituting more affordable generic drugs for more expensive brand drugs is a simple and effective means of achieving savings of up to 70% or more, while maintaining the same high quality health care. Increasing utilization of generic drugs through substitution can provide significant saving for consumers, state and federal governments and insurers.

CASE STUDIES:

Maine's Department of Human Services, which oversees the state's Medicaid program, estimates that generic medicines saved the state more than $15 million in 2002 and would save the state more than $20 million in 2003.[3] Generic utilization in West Virginia's public employee health plan increased from 41% in 2001 to 48% in 2003. State officials estimate the increase in generic utilization saved $12.2 million for the state and its employees over that period.[4]



1. IMS Health
2. National Association of Boards of Pharmacy Survey of Pharmacy Law, 2002
3. Maine Department of Human Services
4. West Virginia Public Employees Insurance Administration

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